

Federal prosecutors in Rockford charged that Crundwell raided city coffers to finance an extravagant lifestyle that included operating champion horse breeding farms in Dixon and Beloit, Wis., and buying a \$2.1 million luxury motor home and \$340,000 in jewelry since mid-2006.

Crundwell made \$80,000 a year in her city job, but many townspeople figured her wealth came from her horse business.

On Wednesday, as about 75 residents crowded into the City Council chambers to hear Burke speak, frustration, anger and shock were palpable.

Doug Hoyle, 61, said the huge losses for a city with an annual budget of about \$9 million have raised concerns that city officials "are grossly negligent and incompetent."

"It awakened a sleepy little town," said Hoyle, who has run for the City Council in the past.

A number of other residents lamented what could have been done with \$30 million. Ellie Shank, 65, said the city had closed its pool and needed road improvements.

Burke, the mayor since 1999, didn't take questions but announced several measures intended to restore "credibility and confidence going forward."

He said the city will retain an independent investigator to look at any possible wrongdoing outside the scope of the FBI probe, appoint an accountant, banker and attorney to research the city's internal financial controls, hire an interim comptroller, and replace its outside auditor.

The mayor said the city's annual audit by two independent accounting firms, as well as an audit review by the state comptroller's office, raised no red flags in recent years and Fifth Third Bank, the city's main bank, never reported any suspicions.

Burke said Dixon has faced financial struggles like cities across the country and that those problems — declining revenues, rising health care costs, late state payments — shielded the effect of the alleged thefts from city leaders.

"Although this whole situation is a setback for Dixon, this is a strong city that will recover," the mayor said near a portrait of President Ronald Reagan, Dixon's favorite son.

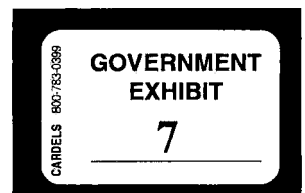
During Crundwell's court appearance, U.S. Magistrate Judge P. Michael Mahoney ordered her released without having to post any cash or property for bail. She was barred from selling or transferring any real estate or horses under her control, told to surrender two guns and restricted from traveling outside northern Illinois and western Wisconsin.

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Assistant U.S. Attorney Joseph Pedersen said that the investigation continues and that prosecutors would "seek to recover any and all assets we can and return those to the city of Dixon."

As she exited the federal courthouse in Rockford shortly after 5 p.m., Crundwell, 58, had shed the orange jail jumpsuit for a beige trench coat and black pants. She is charged with one count of wire fraud.

In February, David Blackburn, a Dixon City Council member who acts as finance commissioner, talked about the city's money problems, and its reliance on Crundwell, during a presentation to graduate students in the government affairs program at Northern Illinois University, professor Kim Nelson recalled Wednesday.

The students, all of whom were in the midst of internships at small towns around the region, were shocked by the town's outdated financial controls, Nelson said. As comptroller and treasurer, Crundwell controlled city finances to an unusual degree, she said.

"The biggest mistake you can make in any kind of organization that deals with money is to have one person that controls everything, and that's what they have in Dixon," Nelson said.

Blackburn's predecessor as finance commissioner, veteran Council member Roy Bridgeman, had praised Crundwell in April 2011 when he stepped down, calling her "a big asset to the city as she looks after every tax dollar as if it were her own," according to the council meeting minutes.

Tribune reporter Andy Grimm contributed.

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Community waits for other shoes to drop

Federal prosecutors accused Dixon City Comptroller Rita A. Crundwell of stealing \$30 million from city coffers since 2006, but they have charged her with only one count of wire fraud in connection with the transfer of \$175,000 from a bank in St. Paul, Minn., to a bank in Cincinnati, Ohio.

Are other charges pending?

Federal prosecutors are not saying.

And Lee County State's Attorney Henry S. Dixon said he will wait to see whether more federal charges are filed before he makes a decision on possible state charges.

Based on information in the criminal complaint filed in U.S. District Court in Rockford, evidence already exists for additional charges.

The complaint states Crundwell "devised and intended to devise a scheme to defraud and to obtain money from the City of Dixon, Illinois by means of materially false and fraudulent pretenses, representations, and promises." ...

The complaint is supported by an affidavit given by Patrick Garry, a special agent with the FBI who specializes in white collar crime, including mail, wire and bank fraud.

In that affidavit, Garry outlines Crundwell's use of a secret bank account, into which she deposited city funds and from which she spent money on personal expenses and expenses related to her horse farm.

Garry offered a hint as to how the account was kept secret. He stated Crundwell handled all the city's finances, and that the bank statements to the secret account were sent to the city's post office box.

Additionally, Garry stated, "Crundwell is in charge of picking up the mail for the City of Dixon and distributing it. One of Crundwell's relatives, who is not employed by the City of Dixon, picks up the mail for the City of Dixon at Crundwell's direction."

The bank statements for the secret account, therefore, went directly to Crundwell. No one else would have had a chance to see them.

In reviewing bank statements between September and March, Garry stated that \$3,558,000 in city funds was deposited into the secret account. During the same time period, \$3,311,860.25 was spent. Of that amount, only \$74,274.25 was for city operations. The rest, Garry stated, was spent by Crundwell for her own personal and business expenses.

He outlined some of those expenses as follows:

- 1) Approximately \$450,000 in expenses relating to Crundwell's horse farming operations including more than \$200,000 of expenses for feeding, insuring and providing veterinary care for her horses;
- 2) Approximately \$600,000 in online credit card payments for Crundwell's personal credit card accounts; and
- 3) Vehicle purchases including a 2012 Chevrolet Silverado pickup truck for approximately \$67,000 in November 2011.

And that's just in 7 months.

Garry's further investigation, back to 2006, found that Crundwell had spent slightly more than \$30 million from the secret account on personal and horse farm expenses.

She bought a 2009 Liberty Coach Motor Home for \$2,108,000.

She bought a 2009 Kenworth T800 tractor truck for \$146,787.

She bought a 2009 Freightliner truck for \$140,000.

She bought a 2009 Chevrolet Silverado pickup for \$56,646.

She bought a 2009 Featherlite horse trailer for \$258,698.

She incurred more than \$2.5 million in charges on an American Express credit card account between January 2007 and March of this year. All the charges were paid by online payments from the secret bank account.

Among the \$2.5 million in credit card charges: more than \$339,000 worth of jewelry.

Garry's investigation went back only to 2006. Crundwell has worked for the city much longer – since the early 1980s.

Further investigations definitely are in order.

What about additional federal and state charges?

As Crundwell remains free on her own recognizance, angry Dixon residents wait for the other shoes to drop.

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BY EMILY K. COLEMAN ecoleman@saukvalley.com 800-798-4085, ext. 526

Dixon fires Crundwell

Burke heckled at council meeting

DIXON – Although she submitted a letter of resignation, Dixon's top financial officer was fired Monday morning at a special council meeting that also was punctuated by another call for the mayor's resignation.

The City Council's vote to fire longtime comptroller Rita A. Crundwell was unanimous.

Crundwell was arrested April 17 at City Hall after investigators said she had misappropriated more than \$30 million in city funds over 6 years.

The council did not take action sooner because the city had to notify Crundwell of the hearing and of the reasons for her termination, and give her a chance to respond, Mayor Jim Burke said.

The council also must give 48 hours notice of public meetings, and members did not want to meet on the weekend, he said.

Crundwell, 59, is free on a federal recognizance bond, charged with a single count of federal wire fraud. She is accused of defrauding the city by wiring \$175,000 in city funds from a bank in St. Paul, Minn. to a bank in Cincinnati in November. Federal prosecutors have declined to say whether more charges are pending, or if others are suspected of being involved.

Neither she nor her attorney attended the meeting, but a letter of resignation was sent to Burke over the weekend. It cited the conditions of her bond, which prevent her from holding a job in which she handles money.

"The fact that it has been tendered does not preclude you from proceeding with your own deliberations and determining whether she should be suspended or terminated," said attorney Ron Coplan, whom the city brought in to handle the issue and run the hearing.

"Her conduct appears to have crossed the line and is characterized as gross misconduct."

Coplan, who is the city attorney for Sterling and Morrison, has experience in personnel issues, Burke said.

The council decided not to consider the letter but instead to fire Crundwell effective April 17, the day of her arrest.

"She should have been fired on the spot," Public Safety Commissioner Dennis Considine said.

That wasn't possible, Coplan said.

"She can't be fired just because she's arrested," he said. "You have to have a basis, and the basis at the bare minimum has to be articulated. It's important that minimal procedural due process is followed. That's what we're doing here today. I can fully understand the emotion of this issue. It's very understandable."

As the commissioners filed out of the room and reporters began asking Burke questions, someone in the crowd called out, "When are you going to resign? We have no confidence in Mayor Burke."

Burke has faced some calls for his resignation, but he repeated Monday that he does not plan to resign.

"We have the capability to get this thing straightened out," he said. "Somebody's called for the resignation of the entire council. The idea of bringing in five new people to take over at this point I don't think would be too wise."

The city is looking into hiring an interim or new permanent comptroller, Burke said, but in the meantime, Crundwell's duties have been assumed by City Clerk Kathe Swanson, who blew the whistle on Crundwell back in October.

No chances are being taken, though, Burke said. Now two additional people – him and Public Works Director Shawn Ortgiesen – will sign off on checks.

Besides her duties as the comptroller, Crundwell also was a personnel director and oversaw the city clerk and deputy city clerk.

Burke also met Monday with Lee County State's Attorney Henry Dixon, to discuss whether state charges may be filed against Crundwell.

Dixon told Sauk Valley Media last week that he was waiting until federal prosecutors obtain an indictment before making that decision.

A forensic audit and internal investigation is in the works to find out whether other city employees were involved and how and from which funds any misappropriations occurred, Burke said.

"I don't think there are any more people within the city that's involved with this, but whether or not there could be someone outside, that's very possible," he said.

In other topics

Sauk Valley Tea Party to meet

DIXON – The Sauk Valley Tea Party's monthly meeting will focus on transparency.

"In light of recent events in Dixon, this is a timely topic," said the release from the organization's leader, Amanda Norris.

Dixon businessman Liandro Arellano Jr., who ran unsuccessfully in the 90th House Republican race and who owns Jimmy John's in Dixon, and Republican Lee County Board candidate Jack Schrauth will lead the discussion, it said.

The meeting will be at 6:30 tonight in the Loveland Community Building, 513 W. Second St..

Go to saukvalleyteaparty.com for more information.

Residents plan protest for Friday

DIXON – Some residents plan to "occupy" Dixon city offices Friday, according to a Facebook group that sprang to life Saturday.

"Occupy Dixon for 30 mil!" was started by Dixon resident Jennifer De Maria. It had 244 members by Monday evening though only nine people said they planned to attend Friday.

The all-day event is scheduled to start at 8 a.m. at the Old County Courthouse.

Council will take public comments

The Dixon City Council next meets at 6:30 p.m. May 7 in council chambers at City Hall, 121 W. Second St.

Public comment will be taken, but time limits may be set depending on how many people want to speak, Mayor Jim Burke said, anticipating reaction to the Rita Crundwell case.

Agendas and minutes are available at www.discoverdixon.org under "Form Downloads" at the top of the page, or call City Hall, 815-288-1485.

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By EMILY K. COLEMAN ecoleman@saukvalley.com 800-798-4085, ext. 526

Mixed reaction from residents who crowd council chambers

DIXON – The council chambers at City Hall were filled to capacity Monday evening as the City Council held its first regularly scheduled meeting since the arrest of the city's top finance officer.

Despite a crowd that spilled into the hallway, only 11 residents spoke during the public comment period. They used up about 25 of the 60 minutes the council had set aside.

"As a citizen of Dixon, I feel a bit responsible and guilty for not voicing my concern over what I knew to be a major flaw in the city's accounting system," Dixon resident Carol Fisher said. "Because I am married to a former city employee, I have known for over 25 years that Rita Crundwell was given and had way too much power in City Hall."

Crundwell, Dixon's former comptroller, was fired after she was arrested April 17 on a federal wire fraud charge.

Prosecutors say she misappropriated more than \$53 million in city funds over two decades.

She faces up to 20 years in prison and a \$250,000 fine on top of restitution if convicted.

Fisher enumerated the questions she still had: Who is the relative who picked up the mail for Crundwell? Did Crundwell profit from city contracts with vendors? Does the city still allow wire transfers from its accounts?

And lastly, earning the first applause of the evening, she wanted to know what is going to be done with the extra money the city presumably will have going forward, suggesting that some of it go back to the taxpayers.

Online: Watch videos from the special Dixon City Council meeting by visiting our resource page, "[Arrest at City Hall](#)." We've compiled a comprehensive list of all of our stories, editorials, commentary, videos and public documents surrounding the Crundwell saga.

Mayor Jim Burke and the rest of the council did not answer any questions posed Monday evening, but Burke said afterward that he is available to Dixon residents who have questions or want to talk.

"I've had one citizen call me and ask me about this, and one lady that stopped up here and she wanted to know how much money I got out of this thing, so we had a real short conversation," Burke said.

Not all the comments were negative or critical – although a call for the mayor's resignation garnered significant applause.

The council took a couple of steps during the meeting to deal with the fallout from Crundwell's arrest.

It authorized an agreement with Wipfli to have the city's audits going back to 2006 redone, so that the city can develop independent numbers on what its loss was.

The city has not yet hired a firm to do a detailed forensic audit, but still plans to, Burke said.

The council decided to hire Wipfli independently of the forensic auditors because it wanted to get moving as quickly as possible, he said.

"We're being very deliberate and prudent in our decision-making," the mayor said. "First of all, we want to make sure we're getting the people and firms with the experience and skills necessary to do the task. Secondly, this is going to be an expensive endeavor, and we don't want to be paying twice for overlapping and redundant services."

The council will vote later, Burke said, on increasing that contract to include audits going back to 1990, when prosecutors say Crundwell opened the secret Fifth Third Bank account she used to funnel money out of the city.

Council members also established who will be authorized to sign checks on behalf of the city and the rules for them, and requested all information related to the city's finances at Fifth Third Bank.

The city also is hiring two interim comptrollers, Finance Commissioner David Blackburn said. They will be tasked with taking over the financial duties that have fallen to other city employees, making recommendations on how to improve financial controls and helping in the hiring of a new comptroller.

Commissioner Jeff Kuhn is heading up the city's new transparency initiative, which includes a new section on its website dedicated to posting meeting agendas and minutes and financial information, such as salaries, fees and budgets.

"It's time-intensive. It takes a lot of work, but if the people want to find out about it, they will find out about it. We're going to be as transparent as we can possibly get," Kuhn said.

At the end of the meeting, commissioners went behind closed doors to discuss potential litigation.

Wipfli also will be collecting information that could be used in litigation against the bank and the city's auditor, Samuel Card of Sterling, Burke said.

The internal investigation that the city also is planning would be expanded beyond its original goal of finding out whether other city employees were involved in the alleged fraud. It would also look into the auditor and the banks.

Sidewalk repair program returns

DIXON – After a 1-year hiatus, the Dixon sidewalk maintenance program is making a comeback.

The City Council voted Monday to go ahead with the program, which splits the cost of repairing sidewalks between the city and the resident. The city provides the labor and equipment, and the resident covers the cost of the concrete, which will be \$125 per cubic yard.

The program was cut last year as the council tried to close a \$128,000 budget gap.

"It's back," Streets Commissioner Jeff Kuhn said. "Take advantage of it."

Interested residents can call 815-288-1403 and speak with Jane Haws in the building department or stop by City Hall, 121 W. First St., which is open 8:30 a.m. to 4:30 p.m. Monday through Friday.

Two items were removed from Monday's agenda. The council ended up not making public ordinances that would allow bars to install video gambling machines or a special-event permit application for public gatherings and parades.

Once everyone has a chance to look at them and the city attorney makes some corrections, they'll be back on the agenda, Mayor Jim Burke said.

"We really need to have some more discussion about [the gambling ordinance] and what it means to the city," he said.

Burke also wanted the special-event permit to be more streamlined than what was initially going to be submitted to the council, he said.

To attend

The Dixon City Council meets next at 6:30 p.m. May 21 at City Hall, 121 W. Second St.

Agendas and minutes are available at www.discoverdixon.org under "Form Downloads" at the top of the page, or call City Hall, 815-288-1485.

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